

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY DAMASCUS PRIORITY

C O N F I D E N T I A L STATE 159053

EXDIS

E.O. 11652: GDS

TAGS: ECON, SY

SUBJECT: OUTSTANDING USG CLAIMS

REF: DAMASCUS 1014

1. WE HAVE REVIEWED USG CLAIMS AGAINST SYRIA ARISING OUT OF PAST LOANS AND ARE NOW READY TO INITIATE CONTACT WITH SARG WITH VIEW TO REACHING SETTLEMENT.

2. FOLLOWING IS BACKGROUND ON OUR CLAIMS:

A. EX-IM BANK GUARANTEE OF COMMERCIAL BANK LOAN (BOUSTANI CLAIM): SYRIAN GOVERNMENT NATIONALIZED BOUSTANI TEXTILE FIRM IN 1965. AT TIME, BOUSTANI OWED EX-IM 51,000 DOLLARS. WE PRESENTED THIS CLAIM TO SARG AS CLAIM AGAINST BOUSTANI ESTATE IN BANKRUPTCY BUT BREAK IN DIPLO-MATIC RELATIONS INTERVENED. SYRIANS SENT TEAM TO WASHING-
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TON IN 1971 TO DISCUSS RESUMPTION OF BUSINESS WITH EX-IM AT

WHICH TIME EX-IM MADE CLEAR THAT BOUSTANI CLAIM SHOULD BE SETTLED BEFORE NEW TRANSACTIONS UNDERTAKEN. RESOLUTION OF BOUSTANI CLAIM WOULD CLEAR THE WAY FOR EX-IM TO CONSIDER GRADUAL RESUMPTION OF FINANCING OF TRANSACTIONS INVOLVING SYRIA, DEPENDING OF COURSE ON BANK'S ANALYSIS OF CONDITIONS IN COUNTRY.

B. 36.5 MILLION SYRIAN POUNDS GENERATED BY PL-480 LOANS IN 1960S AND BLOCKED BY SARG SINCE 1967: SYRIANS BLOCKED ALL PL-480 LOCAL CURRENCY U.S.-OWNED POUNDS AFTER A GRAIN SILOS PROJECT, WHICH HAD BEEN JOINTLY AGREED TO BY BOTH COUNTRIES, WAS CANCELLED UNILATERALLY BY THE U.S. IN FEBRUARY 1967 BECAUSE OF REPEATED SYRIAN GOVERNMENT AND MEDIA ATTACKS ON USG. SINCE THEN, SARG HAS KEPT THESE FUNDS BLOCKED, APPARENTLY TAKING POSITION THAT THEY CANNOT BE USED FOR ANY PURPOSE WITHOUT JOINT AGREEMENT. THERE HAVE BEEN NO FORMAL U.S.-SYRIAN DISCUSSIONS ON THIS PROBLEM SINCE 1967.

C. DELINQUENCY OF 23,000 DOLLARS PAYABLE IN DOLLARS, FROM THE GRAIN SILOS PROJECT: THIS DEBT IS RESULT OF OUTLAY BY USG OF 427,000 DOLLARS FOR ENGINEERING STUDIES PRIOR TO USG'S UNILATERAL CANCELLATION OF PROJECT (WHICH IS SAME AS THAT MENTIONED SUBPARA B ABOVE). DELINQUENCY TO DATE IS ON INTEREST ONLY; PAYMENTS ON PRINCIPAL ARE DUE BEGINNING JULY 15, 1974.

3. SHOULD BE NOTED THAT SARG HAS FULLY PAID OR IS CURRENT ON ALL DLF LOANS EXCEPT FOR SMALL BALANCE ON 276-A-004.

4. YOU SHOULD INFORM MINISTER OF ECONOMY IMADI OR OTHER APPROPRIATE SENIOR SARG OFFICIAL THAT FURTHER TO YOUR CONVERSATION OF JUNE 1 WITH IMADI, USG IS READY TO BEGIN TALKS AS SOON AS CONVENIENT FOR SARG WITH VIEW TOWARD SETTLEMENT OF OUTSTANDING CLAIMS. IN RESPONSE TO IMADI'S REQUEST (REFTEL), FOLLOWING IS TABLE REFLECTING USG RECORDS OF STATUS OF LOANS TO SYRIA WHICH YOU SHOULD PRESENT, WITH REQUEST THAT SARG CHECK IT AGAINST ITS OWN RECORDS AND GIVE US ANY COMMENT IT MAY HAVE.

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QUOTE.

A. EXPORT-IMPORT BANK GUARANTEE OF COMMERCIAL BANK LOAN TO BOUSTANI FIRM. OUTSTANDING BALANCE - PRINCIPAL 51,015.37 DOLLARS - INTEREST 30,010.83 DOLLARS, AS OF JUNE 30, 1974.

B. AID LOANS --

276-A-001 DLF	FULLY PAID	
276-G-002 PL-480	DELINQUENT	L.S. 6,461,306.34
276-A-003 DLF	FULLYPAID	
276-A-004 DLF	DELINQUENT	L.S. 4,128.54
276-G-005 PL-480	DELINQUENT	L.S. 3,497,266.76
276-G-006 PL-480	DELINQUENT	L.S. 5,536,212.24
276- -007 UNKNOWN NEVER EXECUTED - PROBABLY THE LOCAL CURRENCY PART OF THE GRAIN SILOS PROJECT		
276-H-008 FAA	DELINQUENT	22,967.58 DOLLARS
(GRAIN SILOS PROJECT)		
TOTAL DUE AND UNPAID:		L.S. 15,498,913.88

C. U.S.-OWNED SYRIAN POUNDS:

SYRIA HAS BLOCKED ALL REMAINING HOLDINGS OF
USG EQUAL TO L.S. 21,031,477.80. UNQUOTE.

5. YOU SHOULD SAY WE BELIEVE THAT BEST PROMISE FOR FRUITFUL FUTURE ECONOMIC COOPERATION LIES IN CLEARING UP LEGACY OF PAST. YOU MAY ASSURE SYRIANS THAT USG WILL APPROACH THESE PROBLEMS IN SPIRIT OF FRIENDSHIP AND UNDERSTANDING WHICH CHARACTERIZES RENEWED U.S.-SYRIAN RELATIONS. WE ARE READY TO PROCEED IN ANY WAY THAT WOULD BE AGREEABLE TO SARG. WE WOULD SUGGEST THAT SINCE EXPORT-IMPORT BANK AND AID LOANS INVOLVE DIFFERENT ISSUES, FIRST STEP MIGHT BE TO TAKE UP BOUSTANI CLAIM. EXPORT-IMPORT BANK READY TO PROVIDE EMBASSY WILL FULL DATA ON CLAIM FOR PRESENTATION TO SARG; IF SYRIANS WANT DISCUSSION MORE IN DEPTH, EX-IM WOULD BE HAPPY TO MEET WITH REPRESENTATIVES OF SYRIAN EMBASSY WASHINGTON TO RECEIVE SPECIAL SYRIAN REPRESENTATIVE HERE FOR TALKS. AS REGARDS AID LOANS, USG
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WOULD BE READY, IF NECESSARY, TO SEND NEGOTIATING TEAM TO DAMASCUS OR TO RECEIVE SYRIAN TEAM HERE.

6. FOREGOING ARE ALL USG CLAIMS KNOWN TO US WHICH ARISE OUT OF PREVIOUS USG LOANS TO SYRIA. USG STILL HAS POSSIBLE CLAIMS ARISING FROM DAMAGE TO DAMASCUS EMBASSY AND ALEPPO CONSULATE IN 1967 AND THERE ARE ALSO A NUMBER OF UNRESOLVED PRIVATE CLAIMS BY U.S. NATIONALS. WE ARE CONTINUING TO STUDY THESE AND DO NOT PLAN TO RAISE THEM AT THIS TIME BUT TO PROTECT OUR LEGAL POSITION YOU SHOULD STATE THAT USG RESERVES THE RIGHT TO SUBMIT TO SARG, AT THE APPROPRIATE TIME, ANY OTHER OUTSTANDING VALID USG

CLAIMS. WE ALSO RESERVE RIGHT TO SUBMIT TO SARG OUTSTANDING VALID CLAIMS OF U.S. NATIONALS FOR PAYMENT BY SARG OF

PROMPT, ADEQUATE AND EFFECTIVE COMPENSATION FOR THEIR PROPERTIES WHICH HAVE BEEN NATIONALIZED, EXPROPRIATED OR OTHERWISE TAKEN BY SARG. MAY BE USEFUL FOR YOU TO POINT OUT IN COURSE OF THIS PRESENTATION THAT USG RECENTLY BEGAN TALKS WITH EGYPT WITH A VIEW TOWARD REACHING APPROPRIATE SETTLEMENT OF AMERICAN CLAIMS AND THAT FORMATION OF A JOINT U.S.-EGYPTIAN COMMITTEE ON CLAIMS WAS ANNOUNCED IN CAIRO ON JULY 14. KISSINGER

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